

ORIGINALDecision No. 49270

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Rancho Green Valley Water Company to
issue stock and assume liabilities.

In the Matter of the Application of
Rancho Green Valley Water Company,
Mount Jupiter Mutual Water Company,
Manuel Moss and Lena Moss, approving
contracts, establishing rates and
charges, etc.

Application No. 32665

Commission investigation into the
operations and related matters in con-
nection with a water system furnishing
service in Green Valley, Los Angeles
County, of Manuel Moss, Lena Moss,
Jerome G. Moss, Arthur Moss, Mount
Jupiter Mutual Water Company, a cor-
poration, Rancho Green Valley Water
Company, a corporation, Rancho Club,
Inc., a corporation, and Rancho Green
Valley, Inc., a corporation.

Case No. 5411

Appearances

In Application No. 32665:

Eugene L. Wolver and William Levin, attorneys,
for applicants.

Harold S. Kiggins, attorney, for a group of
water users.

Gordon H. Mitchell, Boye C. Boysen, Edward
H. Dahlgren, Dr. Josephine Smith, J. E. Stalcub,
Mrs. George Delamotte, Mrs. Carey Vann,
Mrs. Stella Cupp, N. R. Whitney, in propria
personae, interested parties.

H. J. McCarthy, James G. Lee and Richard
R. Entwistle, for the Commission staff.

In Case No. 5411:

Eugene L. Wolver and William Levin, attorneys,
for respondents.

Harold S. Kiggins, attorney, for M. O. Williams,
interested party.

H. J. McCarthy, attorney, for the Commission staff.

O P I N I O N

Rancho Green Valley Water Company, a corporation, by
application filed August 3, 1951, (1) asked the Commission to declare

it to be a public utility, (2) sought permission to issue stock and to assume certain liabilities, (3) requested the establishment of rates for water service, and (4) requested the approval of certain contracts and covenants, attached to the application, transferring water system assets and rights to and imposing certain obligations upon said applicant. Mount Jupiter Mutual Water Company and Manuel Moss and Lena Moss joined in the application. A public hearing on this application was held before Examiner Warner on January 21, 1952, at New hall, California.

By Decision No. 46757, issued February 13, 1952, the Commission found that applicant Rancho Green Valley Water Company had been engaged in operations as a public utility since July 13, 1951, in violation of Section 1001 of the Public Utilities Code and ordered it to cease and desist. The Commission further found that applicant Rancho Green Valley Water Company's proposal to finance its water system operations was not sound, that its sources of water supply were uncertain and inadequate, that the water system was deteriorated and in poor operating condition, that there was no proposal for or prospect of obtaining finances to rehabilitate the system or provide an adequate water supply, and that it would not be in the public interest to grant applicant Rancho Green Valley Water Company a certificate of public convenience and necessity to construct and operate a public utility water system. The Commission denied without prejudice applicants' request for the establishment of rates, the authority to issue stock and to assume indebtedness and approval of contracts and covenants attached to the application.

On September 16, 1952, the Commission instituted Case No. 5411, an investigation on its own motion, into the operations, practices, contracts, rules, regulations, rates, and charges of, and the adequacy of water service that may be furnished by each of the respondents named in said case.

Applicants on October 2, 1952, filed a petition requesting that Application No. 32665 be reopened for the purpose of receiving further evidence. By order dated October 28, 1952, the Commission granted further hearing for the purpose of receiving new and additional evidence in support of the application.

On March 9, 1953, applicant Rancho Green Valley Water Company filed a supplement to its application stating that its Articles of Incorporation had been amended to permit the issuance of 2,000 shares of nonvoting 6 per cent preferred stock having par value of \$10 per share and requesting authority to sell 1,000 shares of said preferred stock at par for cash in units of 10 or more shares for the purpose of obtaining monies to be used in the conduct of the business of applicant and for the purpose of holding in reserve for contingencies any cash funds not so used.

Hearings on the Commission investigation and further hearings on the application, on a consolidated record, were held in Los Angeles on January 14, 1953, before Examiner Gillard and on June 4, 1953, before Examiner Cline.

The matters were taken under submission upon receipt of late-filed exhibits July 24, 1953.

Description of Operations

The Green Valley area and vicinity are a semi-mountainous area located about 16 miles west of Palmdale. The proposed service area comprises about 400 acres, more or less, of land including Tracts Nos. 6183, 6639, 6647, 8830, 8956, 8995, and 9080 in the vicinity of Green Valley, Los Angeles County, which, in turn, include about 2,900 lots owned by 2,000 deeded property owners. The water system serving the above tracts other than Tract No. 8995 was assigned by La Joya Lodge Corporation to William Leslie by an assignment dated December 16, 1937. William Leslie and Ray J. Leslie, his wife, quitclaimed the water system to Shell Realty Corporation and

Prudential Realty Corporation by deed dated January 27, 1944. By deed dated February 4, 1944, Prudential Realty Corporation quit-claimed its interest in the water system to M. Moss. Manuel Moss, his wife Lena Moss, his son Arthur Moss, a brother-in-law, Oberstein, and possibly another son, Jerome G. Moss, have been the only stockholders of the Shell Realty Corporation. Lena Moss was president and Arthur Moss was secretary.

The water system serving said Tracts Nos. 6183, 6639, 6647, 8830, 8956, and 9080 and also Tract 8995 was conveyed by grant deed dated April 5, 1944, from M. Moss and L. Moss, his wife, and Shell Realty Corporation to Mount Jupiter Mutual Water Company.

Applicants and respondents Manuel Moss and Lena Moss, through their ownership of a majority of the stock in the Mount Jupiter Mutual Water Company have controlled and do control the operations of said company. They elect the officers and are the elected officers of said company. Said company operated the water system until July 31, 1951, at which time the grant deed dated July 5, 1951, conveying the water system from said company to Rancho Green Valley Water Company was recorded and the water system was turned over to Rancho Green Valley Water Company. Mount Jupiter Mutual Water Company's corporate existence has been maintained.

The covenant dated July 5, 1951, by and between Manuel Moss, Mount Jupiter Mutual Water Company, Aline E. Boswell and Theodore A. Rosenthal, a copy of which was introduced into evidence, compromised certain pending litigation and claims among the parties. Manuel Moss agreed to cause the Rancho Green Valley Water Company to be formed for the purpose of engaging as a public utility serving water in the area served by the Mount Jupiter Mutual Water Company. Mount Jupiter Mutual Water Company agreed to transfer its assets to the Rancho Green Valley Water Company and to amend its bylaws to provide that no assessment may be made except upon the regaining and retention

of physical possession of the water system. Manuel Moss agreed to pay \$3,000 to Theodore Rosenthal who upon receipt of such payment was to satisfy his judgment against the Mount Jupiter Mutual Water Company. The Rancho Green Valley Water Company was to seek to qualify as a public utility and to charge rates or charges established by the Commission. The capitalization of the Rancho Green Valley Water Company for the purpose of establishing rates was to be the sum of \$5,000 representing the \$3,000 to be paid by Manuel Moss to Theodore Rosenthal and \$2,000 as consideration for the transfer of certain water rights and the Bennett Well. Manuel Moss agreed to make the Lake Well a standby well for the public utility system.

Until the Rancho Green Valley Water Company should become qualified as a public utility, Manuel Moss guaranteed to the water users of the Mount Jupiter Mutual Water Company the furnishing of domestic water within the capacity of the water system, not obligating himself to spend any monies in so doing, provided that if the Rancho Green Valley Water Company should diligently seek to qualify itself as a public utility after making its application, such guarantee should not exceed the period of two and one-half years from July 5, 1951. Manuel Moss agreed to cause Rancho Green Valley Water Company to enter into an agreement with the Mount Jupiter Mutual Water Company whereby provisions should be made as to the conditions under which abandonment should be had and for installment payments of the purchase price in the event thereafter the Mount Jupiter Mutual Water Company should purchase the water system.

The application alleges that Lena Moss has advanced the Rancho Green Valley Water Company \$330 to cover the costs of incorporation and \$5,000, of which \$3,000 was paid to Theodore A. Rosenthal in satisfaction of the judgment obtained against the Mount Jupiter Mutual Water Company and in consideration of the transfer of the assets of the Mount Jupiter Mutual Water Company, and of which \$2,000 was paid to Manuel Moss and Lena Moss for certain water rights including the Bennett Well. Rancho Green Valley Water Company requests

authority to issue to Lena Moss 533 shares of capital stock having par value of \$5,330 in consideration of the cancellation of the indebtedness above described.

After Rancho Green Valley Water Company was ordered to cease and desist operating and holding itself out as a public utility, Rancho Green Valley Water Company and Manuel Moss entered into an agreement dated July 1, 1952, a copy of which has been introduced into evidence as Exhibit No. 12. This agreement provides: (1) Manuel Moss shall have immediate possession and right of possession of all the physical assets of Rancho Green Valley Water Company; (2) Rancho Green Valley Water Company assigns its past, present and future accounts receivable for water service to Manuel Moss; (3) Manuel Moss shall pay out of the proceeds obtained by him by reason of water service all charges for producing or distributing water and for maintaining and keeping the water system in its present condition; (4) in the event of a favorable determination of the litigation pending before the California Supreme Court between Rancho Green Valley Water Company and the Public Utilities Commission, Manuel Moss is to make an accounting to the Rancho Green Valley Water Company (The California Supreme Court determined the litigation unfavorably to Rancho Green Valley Water Company and upheld the decision of the Commission ordering Rancho Green Valley Water Company to cease and desist operating as a public utility.); (5) the stated purpose of the agreement is to enable Manuel Moss to fulfill his contractual obligations to the subscribers and service users of water in the Green Valley area; (6) the agreement is to terminate (a) in the event Rancho Green Valley Water Company shall be held by a final judicial determination to be a public utility (emphasis added), (b) either party shall give the other party notice in writing of its desire to terminate the covenant, or (c) the covenant shall be held to be illegal.

Since July 1, 1952, Manuel Moss has been operating the water system pursuant to the provisions of Exhibit No. 12.

Description of System

The water supply for the system is obtained from the wells, one of which is known as the Bennett Well and the other of which is known as the Lake Well.

The Bennett Well is situated at the southerly end of Calle Cascada and is a cased well 8 inches in diameter and 95 feet deep. It is equipped with a Fairbanks-Morse deep well pump automatically controlled and producing 125 gallons per minute.

The Lake Well owned by Manuel Moss and Lena Moss is connected to the system for standby purposes. This well is cased 8 inches in diameter and 86 feet, 6 inches deep. It is equipped with a 10-hp Pomona turbine pump, automatically controlled, and producing 100 gallons per minute.

These pumps discharge water through the system mains to two interconnecting bolted steel storage tanks with respective capacities of 42,000 gallons and 63,000 gallons. The distribution mains total approximately 39,000 feet in length, varying in diameter from 3/4 inches to 4 inches. There are 136 service connections, all of which are metered.

A portion of the system was installed in the early 1920's but a large amount of pipelines, tanks, and other improvements have been installed since 1947.

In addition to serving the tracts in the Green Valley area the water system here under consideration has also rendered water service to the Habonim Camp for crippled children which is adjacent to Tract No. 6639 and Tract No. 8956.

Adequacy of Service

Jerome C. Moss testified that subsequent to the issuance of Decision No. 46757 upon this application, a new pump has been installed on the Lake Well by Manuel Moss at an expense of \$1,000 and that electrical work in the amount of \$229.64 was done at the Lake Well. Manuel Moss also had the pump and shaft at the Bennett Well

overhauled and repaired at an expense to himself of \$296.03. Approximately 1,500 feet of pipe has been replaced with new pipe. Jerome Moss stated that as a result of these replacements and improvements the system now had an adequate supply of water.

The Commission staff witness Sutherland testified that field investigations were made by him together with other members of the Commission's engineering staff and that evidence of unsatisfactory service was manifest in some parts of the system. Sixty-eight consumers, located generally in Tracts 6639 and 8830, are furnished water through a 2-inch main. A continuous pressure recorder placed on two services located at the upper elevations of the system indicated pressure in one instance of 4 pounds per square inch for an 18-hour period and 15 pounds per square inch for a 6-hour period. In the other recording, a pressure of 20 pounds per square inch was maintained with approximately a 5-pound per square inch drop during peak demands. A sharp drop showing negative pressure from 9 a.m. to 10 a.m. on May 5, 1953, was observed to be coincident with the operation of the club sprinkler system.

To render adequate service witness Sutherland recommended that the mains be enlarged in the following portions of the system:

1. The interconnection along Calle Lomita between Calle Hermosa and Spunky Canyon.
2. The main serving the clubhouse from Spunky Canyon Road.
3. The main along Spunky Canyon Road from the present 4-inch facilities to Calle Naranjo.
4. The main along Calle Hermosa between Calle Lomita and Calle Manzanita.

Witness Sutherland stated he believed that the installation of 4-inch mains at the above specified portions of the system would properly improve the system for its present needs and that the installation of 6-inch pipe would take care of any possible expansion of the system.

Contracts and Covenants

Applicants have requested this Commission to approve certain contracts and covenants attached to the application which already have been executed unconditionally and are substantially performed. This Commission will not approve such contracts and covenants.

Rates

Applicants request that the present rate of 300 cubic feet for \$3.00 and 1/2 cent per cubic foot thereafter be maintained. A commercial rate per month as follows is requested:

First 1,000 cubic feet	\$7.50
Next 1,000 cubic feet	5.00
Over 2,000 cubic feet	2.50

Previously a connection charge of \$47.50 has been made. Applicant seeks authority to make an increased connection charge of \$57.50.

As of December 31, 1952, the water system is stated on Exhibit 11-A. the Balance Sheet of Manuel Moss Water Revenue Account, at \$4,925 less depreciation reserve of \$75, leaving a balance of \$4,850. This amount represents the \$5,000 paid for the system by Rancho Green Valley Water Company less \$150 depreciation. Exhibit No. 27 is an estimate of the original cost of the properties in the Rancho Green Valley Water Company water system prepared by Marshall and Stevens, Valuation Engineers. According to this exhibit the total estimated original cost of that portion of the system is \$28,270. Neither the amount on the books of the Rancho Green Valley Water Company nor the estimates of Marshall and Stevens include an amount for the Lake Well. Exhibit No. 10-A, introduced by applicants, shows for the water system a net profit of \$837.39 for the period January 1 to June 30, 1952, and a net loss of \$476.52 for the period July 1 to December 31, 1952, leaving a net profit for the year 1952 of \$358.87.

As insufficient data were available to enable witness Sutherland, the Commission staff engineer, to ascertain the original cost of the water system, he submitted estimates of the original cost of the system as shown on Table 6-A of Exhibit No. 25. The average rate base for the year 1952 adjusted was estimated to be \$21,859 and for the year 1953 to be \$21,220. We find these estimates of original cost to be reasonable and we hereby adopt them. These figures include approximately \$6,000 estimated depreciated original cost of meters, boxes, valves and services installed at the consumers' expense, which has been excluded from the rate base for rate making purposes. The Lake Well is hereby found to be an operative part of the water system and its original cost, estimated if not known, should be included in the fixed assets of the system.

Witness Sutherland estimated the revenue for the year, including revenue for the clubhouse facilities and anticipated growth, to be \$5,421. Estimated expenses totaled \$5,221 which when deducted from estimated revenues leaves an estimated net profit of \$200. Even if applicant's book figure of approximately \$4,800 were accepted as the rate base, this estimated net profit would result in an estimated rate of return of less than 4.2 per cent. On a rate base of \$15,000 (witness Sutherland's estimate less the \$6,000 for meters, boxes, valves and services) the estimated return would be only 1.33 per cent. On a rate base including the Lake Well the rate of return would be even less.

Rancho Club, Inc., the principal commercial consumer, is an affiliate of applicant. We are of the opinion that the same schedule of rates should be applied to it as to other consumers. The proposed commercial schedule will not be authorized at this time as it appears to be discriminatory on the record.

To permit a public utility to include the cost of connection facilities in the rate base and also to be reimbursed for a portion of such costs through a service connection charge would

impose an unreasonable burden upon the consumers. The rates set forth in Appendix A attached hereto contain no provision for a service connection charge.

The rates set forth in Appendix A are otherwise different from those proposed by applicant, but we estimated that they will yield substantially the same amount of revenue. They are reasonable and will be authorized.

Securities

The record in this case will not support findings which the law requires this Commission to make prior to authorizing Rancho Green Valley Water Company to issue common and preferred stock as requested. Such request will therefore be denied.

Conclusion

A review of the entire record in this matter leads us to the conclusion and we hereby find that respondents Manuel Moss, Lena Moss, his wife, Mount Jupiter Mutual Water Company and Rancho Green Valley Water Company have dedicated certain of their properties to the public in the development of the public utility water system here under consideration and have hold and are holding themselves out to serve water as a public utility in the Green Valley area, heretofore more particularly described, and in the Habonim Camp for crippled children which is adjacent thereto.

The record in these proceedings does not support a finding that Jerome G. Moss, Arthur Moss, Rancho Club, Inc., Rancho Green Valley, Inc., or any of them, is a public utility, subject to the jurisdiction of this Commission.

As La Joya Lodge Corporation, William G. Leslie, and Ray J. Leslie, his wife, Shell Realty Corporation, and Prudential Realty Corporation are not parties to these proceedings, no findings are made as to their public utility status.

The record shows that Mount Jupiter Mutual Water Company has no assets. Mount Jupiter Mutual Water Company has transferred

possession of a portion of the water system to Rancho Green Valley Water Company. Rancho Green Valley Water Company is owned and controlled by Lena Moss, the wife of Manuel Moss, and has transferred possession of its properties to Manuel Moss. Manuel Moss and Lena Moss have possession and control of all the properties of the public utility water system and are operating and managing said water system. Said Manuel and Lena Moss will be directed to continue to manage and operate said public utility water system and to make appropriate filings with respect to its tariffs.

To assist Manuel and Lena Moss in clearing title in themselves to said public utility water system this Commission will authorize La Joya Lodge Corporation, William G. Leslie and Ray J. Leslie, his wife, Shell Realty Corporation, Prudential Realty Corporation, Mount Jupiter Mutual Water Company and Rancho Green Valley Water Company to execute quitclaim deeds to said public utility water system properties in favor of Manuel Moss and Lena Moss, his wife.

To enable the system to render adequate water service, the mains heretofore set forth in the tabulation submitted by the witness Sutherland should be enlarged at least to 4 inches. The order to follow will require this to be done. Both the Bennett Well and the Lake Well should continue to be used as a source of water supply for the system.

Lena Moss and Manuel Moss will be required to set up adequate accounting records, in conformity with the requirements of the Commission, and to adopt the remaining life straight-line method of accounting for depreciation. It is suggested that a composite depreciation rate of three per cent be used until review of the remaining lives of the plant be made and that such reviews be made periodically at intervals not exceeding five years.

O R D E R

The above-entitled application and case having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

The Commission hereby finds as a fact and declares that Manuel Moss, Lena Moss, his wife, Mount Jupiter Mutual Water Company, and Rancho Green Valley Water Company by reason of their owning, controlling, operating, and managing the water system heretofore described in the opinion herein, in Tracts Nos. 6183, 6639, 6647, 8830, 8956, 8995, and 9080 and the Habonim Camp, all of which are located in the Green Valley area in Los Angeles County about 16 miles west of Palmdale, are a public utility subject to the jurisdiction, control and regulation of this Commission, and that Manuel Moss and Lena Moss, his wife, have possession and control of and are now operating and managing all the properties of said public utility water system.

The Commission further finds that public interest, convenience and necessity require that said public utility water system continue to be managed, operated and controlled by Manuel Moss and Lena Moss, his wife, and not by Mount Jupiter Mutual Water Company or Rancho Green Valley Water Company.

IT IS HEREBY ORDERED that:

1. Manuel Moss and Lena Moss, his wife, are hereby directed to continue to manage and operate the public utility water system heretofore described in the opinion and findings herein, including without limitation both the Bennett Well and the Lake Well.

2. La Joya Lodge Corporation, William G. Leslie and Ray J. Leslie, his wife, Shell Realty Corporation, Prudential Realty Corporation, Mount Jupiter Mutual Water Company and Rancho Green Valley Water Company are hereby authorized to execute quitclaim deeds to said public utility water system properties in favor of

Manuel Moss and Lena Moss, his wife. Copies of any such quitclaim deeds executed pursuant to this authorization shall be filed with the Commission within thirty days after the date of execution and delivery.

3. Manuel Moss and Lena Moss, his wife, shall file with this Commission within thirty days after the effective date of this order, in conformance with the provisions of General Order No. 96, four copies of the schedules of rates attached hereto as Appendix A, together with four copies of rules and regulations and tariff service area map, and, on not less than five days' notice to the public and this Commission, make said rates, rules and regulations effective for all water service rendered on or after December 1, 1953.

4. Manuel Moss and Lena Moss, his wife, shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the tract of land and the territory served and the location of the property of the public utility water system heretofore described, including without limitation both the Bennett Well and the Lake Well.

5. Manuel Moss and Lena Moss, his wife, shall, within six months after the effective date of this order, enlarge the mains to at least four inches in the following portions of the system:

- (a) the interconnection along Calle Lomita between Calle Hermosa and Spunky Canyon;
- (b) the main serving the clubhouse from Spunky Canyon Road;
- (c) the main along Spunky Canyon Road from the present 4-inch facilities to Calle Haranjo;
- (d) the main along Calle Hermosa between Calle Lomita and Calle Manzanita;

and, within thirty days after the installation of said 4-inch or larger mains, notify the Commission in writing of the completion of said installation.

6. Manuel Moss and Lena Moss, his wife, shall set up on their books the detailed plant property costs and depreciation reserve as of December 31, 1952, appearing in Table 6-A of Exhibit No. 25.

7. Manuel Moss and Lena Moss, his wife, shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, said Manuel Moss and Lena Moss shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

Except to the extent herein granted, Application No. 32665 is denied without prejudice.

The portion of Decision No. 46757, issued February 13, 1952, ordering that Rancho Green Valley Water Company cease and desist from producing, distributing and selling water and from holding itself out to furnish water service to the public as a public utility is hereby continued in full force and effect until further order of this Commission.

The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 27th day of October, 1953.

[Signature] President
[Signature]
[Signature]
[Signature]
[Signature] Commissioners

APPENDIX A:

Schedule No. 1:

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tracts Nos. 8830, 6183, 9080, 6639, 8956, 8995 and 6647 in the Green Valley area and vicinity, situated approximately 16 miles west of Palmdale, Los Angeles County.

RATES

Quantity Rates:

	<u>Per Meter Per Month</u>
First 300 cu.ft. or less	\$3.00
Next 2,700 cu.ft., per 100 cu.ft.50
Over 3,000 cu.ft., per 100 cu.ft.40

Minimum Charge:

For 5/8 x 3/4-inch meter	\$3.00
For 3/4-inch meter	5.00
For 1-inch meter	7.50
For 1-1/2-inch meter	10.00
For 2-inch meter	15.00
For 3-inch meter	25.00
For 4-inch meter	35.00

The Minimum Charge will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the Quantity Rates.